

**REPORT OF THE AUDIT OF THE
FORMER MEADE COUNTY
CLERK**

**For The Period January 1, 2002
Through January 5, 2003**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FORMER MEADE COUNTY CLERK

**For The Period January 1, 2002
Through January 5, 2003**

The Auditor of Public Accounts has completed the former Meade County Clerk's audit for the period January 1, 2002 through January 5, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees increased by \$17,727 from the prior calendar year, resulting in excess fees of \$175,464 as of January 5, 2003. Revenues increased by \$301,616 from the prior year and disbursements increased by \$283,889.

Deposits:

The former County Clerk's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO FINANCIAL STATEMENT	6
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	11



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable William B. Haynes, Meade County Judge/Executive
Honorable Katherine Mercer, Former Meade County Clerk
Honorable Katrina M. Fitzgerald, Meade County Clerk
Members of the Meade County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the former County Clerk of Meade County, Kentucky, for the period January 1, 2002 through January 5, 2003. This financial statement is the responsibility of the former County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former County Clerk for the period January 1, 2002 through January 5, 2003, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable William B. Haynes, Meade County Judge/Executive
Honorable Katherine Mercer, Former Meade County Clerk
Honorable Katrina M. Fitzgerald, Meade County Clerk
Members of the Meade County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 1, 2003, on our consideration of the former County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 1, 2003

MEADE COUNTY
KATHERINE MERCER, FORMER COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Period January 1, 2002 Through January 5, 2003

Receipts

State Fees For Services	\$	10,656
-------------------------	----	--------

Fiscal Court		15,172
--------------	--	--------

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	592,287
------------------------	----	---------

Usage Tax		2,632,343
-----------	--	-----------

Tangible Personal Property Tax		1,438,688
--------------------------------	--	-----------

Licenses-

Marriage		8,073
----------	--	-------

Occupational		6,751
--------------	--	-------

Deed Transfer Tax		50,548
-------------------	--	--------

Delinquent Tax		218,823
----------------	--	---------

Duplicate Registrations		117
-------------------------	--	-----

Other		170
		4,947,800

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	37,190
---------------------------------	----	--------

Real Estate Mortgages		55,150
-----------------------	--	--------

Chattel Mortgages and Financing Statements		79,204
--	--	--------

Notary Fees		4,438
-------------	--	-------

All Other Recordings		10,537
----------------------	--	--------

Charges for Other Services-

Copywork		9,045
----------	--	-------

Interest Earned		4,166
-----------------	--	-------

Candidate Filing Fees		2,670
-----------------------	--	-------

Postage		1,283
		203,683

Total Receipts	\$	5,177,311
----------------	----	-----------

The accompanying notes are an integral part of this financial statement.

MEADE COUNTY
 KATHERINE MERCER, FORMER COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Period January 1, 2002 Through January 5, 2003
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 445,930

Usage Tax 2,553,189

Tangible Personal Property Tax 521,575

Licenses, Taxes, and Fees-

Delinquent Tax 25,622

Legal Process Tax 24,023

Candidate Filing Fees 1,170

Decals 48 \$ 3,571,557

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 137,761

Delinquent Tax 34,020

Deed Transfer Tax 48,021

Occupational Licenses 5,225 225,027

Payments to Other Districts:

Tangible Personal Property Tax \$ 715,821

Delinquent Tax 106,081 821,902

Payments to Sheriff

3,229

Payments to County Attorney

30,662

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 190,648

Employee Benefits-

Employer's Paid Health Insurance 19,564

Contracted Services-

Copier Maintenance 1,789

Printing and Binding 5,325

The accompanying notes are an integral part of this financial statement.

MEADE COUNTY
 KATHERINE MERCER, FORMER COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Period January 1, 2002 Through January 5, 2003
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Materials and Supplies-			
Office Supplies	\$	22,438	
Other Charges-			
Conventions and Travel		2,837	
Dues		407	
Postage		8,651	
Tax Bills		4,122	
NADA Books		100	
Uncollected Returned Check		9	
Capital Outlay-			
Computer Equipment		12,350	
Office Equipment		7,959	
		<u>7,959</u>	\$ 276,199
Total Disbursements			<u>\$ 4,928,576</u>
Net Receipts			\$ 248,735
Less:			
Statutory Maximum	\$	66,706	
County Clerk's Training Incentive		<u>2,965</u>	<u>69,671</u>
Excess Fees			\$ 179,064
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County as of January 5, 2003			\$ 175,464
Payments to County Treasurer:			
March 7, 2003	\$	175,000	
May 1, 2003		<u>464</u>	<u>175,464</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of this financial statement.

MEADE COUNTY
NOTES TO FINANCIAL STATEMENT

January 5, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at January 5, 2003.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months and 6.34 percent for the last six months of the year.

MEADE COUNTY
NOTES TO FINANCIAL STATEMENT
January 5, 2003
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The former County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the former County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of January 5, 2003, the former County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the former County Clerk's agent in the former County Clerk's name, or provided surety bond which named the former County Clerk as beneficiary/obligee on the bond.

4. Grant

The former County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives during 2001. The beginning balance as of January 1, 2002 was \$6,154. A total of \$20 of interest was earned and funds totaling \$6,174 was expended during 2002. The unexpended grant balance was \$0 as of January 5, 2003.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable William B. Haynes, Meade County Judge/Executive

Honorable Katherine Mercer, Former Meade County Clerk

Honorable Katrina M. Fitzgerald, Meade County Clerk

Members of the Meade County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the former Meade County Clerk for the period January 1, 2002 through January 5, 2003, and have issued our report thereon dated May 1, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Meade County Clerk's financial statement for the period January 1, 2002 through January 5, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Meade County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 1, 2003

